

Message Text

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ORIGIN PM-04

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DRAFTED BY PM/SAS:SGEIS:LD

APPROVED BY PM/SAS: DJJAMES

AF/C-M. GALLAGHER

L/PM - T. BOREK

DOD/DSAA - P SOMMER

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

INFO SECDEF

TREASURY

DA

USCINCEUR

C O N F I D E N T I A L STATE 245632

E.O. 11652: GDS

TAGS: MASS, CD

SUBJECT: FMS CREDIT FOR ZAIRE

REF: STATE 225277

1. REFTEL AUTHORIZED OFFERING GOZ \$10 MILLION IN FMS CREDIT DURING FY7T (TRANSITIONAL QUARTER). GOZ RECENTLY SIGNED LOAN AGREEMENT FOR THAT AMOUNT. IN CONNECTION WITH USG OFFERING TRANSITIONAL QUARTER CREDIT, QUESTION OF ZAIRE FMS CREDIT DEBTS AND THEIR IMPACT ON FUTURE CREDITS WAS SUBJECT OF AUGUST/SEPTEMBER CONSULTATIONS BETWEEN STATE, TREASURY, AND DEFENSE.

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2. SUMMARY OF THE CONSIDERATIONS, IN QUESTION AND ANSWER

FORM, FOLLOWS:

A. QUESTION: WHAT WERE RESULTS OF USG EFFORTS TO ENCOURAGE THE COMMERCE UNION BANK SYNDICATE TO GOVERN THEIR ACTIONS IN ACCORD WITH ZAIRE DEBT RESCHEDULING CALLED FOR BY THE RECENT PARIS CLUB AGREEMENT?

ANSWER: THE SYNDICATE HAS RELUCTANTLY CONCURRED IN TAKING NO ACTION WITH REGARD TO CALLING UPON THE USG GUARANTY AT THIS TIME.

B. QUESTION: SINCE CONSENSUS IS THAT GOZ CANNOT MEET AT LEAST ITS SHORT-TERM FINANCIAL OBLIGATIONS, SHOULD USG PERMIT ZAIRE TO CONTINUE TO DRAW DOWN REMAINING FY75 AND FY76 FMS FINANCING?

ANSWER: ALTHOUGH CONSIDERATION WAS GIVEN TO DISCOURAGING ZAIRE FROM FURTHER DRAWDOWNS UNTIL ZAIRE IMPROVES ITS FINANCIAL POSITION AND RESCHEDULES ITS CURRENT DEBTS, IT WAS DECIDED THAT THE POLITICAL AND MILITARY JUSTIFICATION FOR GRANTING THESE CREDITS REMAINS VALID AND USG SHOULD NOT DENY ZAIRE PERMISSION TO DRAW DOWN PREVIOUSLY-APPROVED CREDITS. HOWEVER, USG IN CONSULTATION WITH ZAIRE AUTHORITIES SHOULD UNDERTAKE TO ENSURE THAT THESE AVAILABLE FUNDS ARE COMMITTED ONLY FOR URGENT AND ESSENTIAL REQUIREMENTS WHICH COULD NOT BE DEFERRED WITHOUT UNACCEPTABLE RISK TO ZAIRE'S SECURITY GOALS.

C. QUESTION: WHAT IS THE IMPACT OF ZAIRE'S PRESENT DEBT DIFFICULTIES ON THE PROPOSED TRANSITIONAL QUARTER CREDIT AND FUTURE ZAIRE CREDIT REQUESTS?

ANSWER: USG RECOGNIZED IMPORTANCE OF COOPERATING WITH PARIS CLUB BUT FELT PACE OF DEVELOPMENTS IN SOUTHERN AFRICA MAY NOT AWAIT RESULTS OF INTERNATIONAL FINANCING DISCUSSIONS. ACCORDINGLY, THE PRESIDENT APPROVED USG OFFERING ZAIRE \$10 MILLION DURING TRANSITIONAL QUARTER (REFTEL). QUESTION OF FY77 FMS CREDIT FOR ZAIRE WILL BE CONSIDERED IN THE LIGHT OF ALL PERTINENT CIRCUMSTANCES AND WITH FULL CONSIDERATION OF VIEWS OF AGENCIES CONCERNED. DOD'S PROFESSIONAL MILITARY JUDGMENT AS TO THE VALIDITY
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AND URGENCY OF THE REQUIREMENTS WILL BE AN ESSENTIAL INGREDIENT.

D. QUESTION: USG FORGIVES LOANS TO ONE OF THE COUNTRIES NOW RECEIVING FMS CREDIT. SHOULD THE EXECUTIVE BRANCH SEEK SIMILAR LEGISLATION FOR ZAIRE.

ANSWER: IT IS EXTREMELY DOUBTFUL CONGRESS WOULD

EXTEND THE WAIVER-OF-PAYMENT TO ADDITIONAL COUNTRIES OTHER THAN ISRAEL AND THUS THE ADMINISTRATION SHOULD NOT SEEK SUCH AUTHORITY AT THIS TIME.

4. IN DISCUSSING WITH GOZ THEIR UTILIZATION OF ANY AVAILABLE FMS CREDITS YOU SHOULD KEEP IN MIND GUIDANCE IN PARA 2B ABOVE. GUIDANCE IN PARA 2C WILL FORM BASIS FOR USG CONSIDERATION OF FY77 FMS CREDIT FOR ZAIRE. KISSINGER

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